

Report on the Results
from the
Strategic Financial Planning Taskforce

City Colleges of Chicago



DRAFT

November 3, 2003

Strategic Financial Plan

Statement of Intent

The purpose of the Strategic Financial Plan is to act as a roadmap to strengthening the financial position of the District and making critical mission and financially based decisions. This plan positions the District to:

- Build a future in which the District and those it serves are not so strongly affected by fluctuations in external funding sources.
- Create a clear understanding of the contributions that programs and services make to achieving the District's mission and/or supporting its financial goals.
- Align the budgeting process to the District-wide strategic planning process so that the priorities expressed in the District-wide strategic plan are supported financially.
- Engage in a dialogue with all of our constituents, including faculty, students and the communities we serve, and encourage their participation achieving these goals.

Goal 1: Budget and Planning

Implement an annual budget and financial planning process that balances the need to serve the District's constituencies and support its mission with the reality of the financial environment in which the District operates.

Objectives: Develop a program/service review process that assigns leaders with the task of creating both mission-related and financial goals for each program/service and establishes a schedule for reviewing the performance of all programs/services against these goals on an annual basis.

11/3/03 Status: Completed

The PSMP templates were developed and are currently being refined.

Develop a modified zero-based budgeting process where financially sound decisions can be made based on the information gathered from actual financial results, the program/service review process, and the priorities set forth in the District-Wide Strategic Plan.

11/3/03 Status: In Process.

A zero based budget process has been developed with supporting guidelines and templates. The zero based budgets are due on December 15, 2003.

Seamlessly align the financial budgeting and planning process, the program/service review process, and the District-Wide Strategic Plan.

11/3/03 Status: Accomplished.

Goal 2: Revenue

Diversify current sources of funding to guard against fluctuations while aggressively advocating for the District's representative share of Federal, state and local funds.

Objectives: Review the District's options for securing its proportionate share of state funds and develop a plan for achieving this goal.

11/3/03 Status: Accomplished/On-Going

Credit Hour Funding: The credit hour grant was modified to lessen the residual effect on credit hour rates, resulting in Adult Education credit hour funding to increase to \$69.99. This resulted in approximately \$4.6 million more in credit hour funding.

Restricted Adult Education Grant: The ICCB Adult Education Taskforce has recently agreed to forward the recommendations to modify the calculation methodology. The recommended change if adopted would generate approximately \$2-4 million additional grant funds per year. Significant opposition is expected from community based organizations and other adult education service providers. Changes would not be effective prior to FY05.

Equalization Grant: The recently empanelled ICCB Finance Advisory Taskforce is identifying the issues and alternatives to the current funding allocation method. The stated goal is to make recommended changes effective for FY05. Considerable opposition is expected from numerous community colleges.

Develop an advocacy program that addresses the reauthorization of the Federal programs that impact the District (i.e. Reauthorization of Higher Education Act, Perkins Act, Workforce Investment Act).

11/3/03 Status: On-going

Under the leadership of the Chancellor, the District is actively participating with state and national partners such as the Illinois Community College Trustees Association, the ICCB, and the AACC to advocate positions that benefit community colleges throughout the state and the nation in regards to the Higher Education Reauthorization Act and related federal issues.

Maximize the percentage of the indirect overhead supported by grant funding.

11/3/03 Status: Accomplished/On-Going

Increase tuition and fees by approximately 5% for each year of this plan.

11/3/03 Status: Recommendation pending for FY05.

Charge the same per credit hour tuition for all reimbursable courses, except where prohibited.

11/3/03 Status: Recommendation pending for FY05.

Achieve the enrollment growth goal.

11/3/03 Status: Accomplished for FY03.

Goal 3: Expense

Develop a model for program/service management based on achieving both mission-related and financial management goals.

Objectives: Analyze programs and services at both the College and District levels based on predefined criteria.

11/3/03 Status: Accomplished/On-Going

As indicated previously, the PSMP templates were developed and have been beta tested with selected departments/services within CCC. Results of the tests need to be assessed with changes to the process evaluated.

Review expenses for each program, service, and facility, then determine what adjustments can be made to enhance efficiency or effectiveness of operation in order to reduce expenses District-wide and achieve the reserve goal.

11/3/03 Status: In Process

The District was able to reduce expenditures by \$3.2 million during the FY04 budget process. Based on the current SFP estimates significant adjustments will be required to achieve the reserve goal.

Goal 4: Growth

Increase the amount of private and enterprise funding to the District by 15% annually thus contributing to the diversification of the sources of income.

Objectives: Recommend to the Foundation Board that they create a development plan for individual and corporate donations by appointing an active and accountable Board of Trustees and staff.

11/3/03 Status: In Process

The addition of a Vice Chancellor of Development and the business plan to reestablish the Foundation has created a basis for significant future funding for the District.

Create and implement a plan to increase enterprise contributions by 10% annually.

11/3/03 Status: In Process

The plan has been revised from 30% annual growth to the current 10% to reflect FY03 results of operations and future expectations.

Goal 5: Reserve Fund Balance

Increase the reserve fund balance to 15% of annual operating revenue by 2007.

Objectives: Draft a Strategic Financial Plan and supporting financial projections for the period of 2005 – 2007 that aligns with this goal.

11/3/03 Status: Completed.

SFP has been revised to incorporate FY03 results of operations, FY04 Budget projections and assumptions have been modified for FY05-FY07.

Obtain Board approval for this goal.

11/3/03 Status: Completed.

The plan has been revised from 30% annual growth to the current 10% to reflect FY03 results of operations and future expectations.

Financial Projections

Assumptions

Revenue

- ① Property Tax Levy increases at 2.25% per year, EAV effects are negligible.
- ② Tuition and fees increase 19.2% (\$10 increase to \$62) in 2005 and 5% per year in FY 2006 and 2007.
Financial aid amounts increase at education CPI rate.
- ③ Average indirect cost recovery from grants increases to 3% by fiscal year 2006.
- ④ Auxiliary and Enterprise **net** revenue increases at 10% per year through FY 2007.
- ⑤ Military program breaks even.
- ⑥ ICCB Equalization grant ends in 2005.
- ⑦ State funding decreases from budget 2004 levels by 5% per year through 2007.

Expenditure

The distribution of expenses across programs remains static.

- ① Expenditures increase 4% per year from 2004 budget levels through 2007.
- ② Benefits expenditures increase by 20% in FY05, '06 and in '07 due to increases in medical rates.
- ③ Contractual services, general materials and supplies, travel and conference, fixed charges, utilities, and other expenditures increase by 1.5% in '05 and 2.0% in '06 and '07 (inflation assumptions).

Notes

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- Maintenance costs do not reflect increased expenses beyond critical expenditures.
- Enterprise fund roll-overs (prior year surpluses or deficits) are not included in budgeted amounts.
- Restricted funds expenditures equal restricted grant amounts.
- Assumptions do include expense changes from the operation of a new Kennedy King Facility.

Differences Between 2004 Projections from last year's SFP and 2004 Budget

The 2002 Strategic Financial Plan projected 2004 results of operations of negative \$19,550,390. The 2004 budget shows negative \$6,860,116 operational results. The reasons for this \$12,690,274 difference are as follows:

- 2004 budget shows college student revenue that is \$5.1 million greater than last year's projection of 2004 revenue.
- State base operating funding, due to funding formula changes, increased by approximately \$5 million from last year's projection.
- A \$3.3 million decrease in expenses from last year's projection.
- Decreases in other revenues offset the total differences.

Differences between 2004 SFP and 2004 Budget		
Object	Difference	FY 04
2002 SFP Projected Operational Results:		19,550,390
Student Revenue	5,063,885	
State Funding	5,169,956	
Other Revenues	(796,316)	
Revenue Difference	9,437,525	
Expenditures	3,252,749	
Total Difference	12,690,274	
Final 2004 Budget Operational Results:		6,860,116

STRATEGIC FINANCIAL PLAN
FISCAL ANALYSIS AND PROJECTIONS

	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
BASELINE						
Total Revenues	\$ 290,149,083	\$ 302,833,289	\$ 290,682,396	\$ 296,672,475	\$ 298,633,918	\$ 301,051,409
Total Expenditures	<u>294,899,000</u>	<u>300,321,113</u>	<u>297,542,512</u>	<u>309,510,819</u>	<u>323,031,717</u>	<u>338,467,143</u>
Surplus (Deficit)	(4,749,917)	2,512,177	(6,860,116)	(12,838,345)	(24,397,800)	(37,415,734)
Revenue Goals Only						
Baseline Revenue Projections	290,149,083	302,833,289	290,682,396	296,672,475	298,633,918	301,051,409
Increase enterprise net revenue by 10% annually* Incremental increase over current baseline shown)	<i>709,100</i>	<i>903,239</i>	<i>933,612</i>	<i>93,361</i>	<i>196,059</i>	<i>318,362</i>
③ Grant Overhead Contribution *	<i>426,042</i>	<i>546,053</i>	<i>422,622</i>	<u>525,242</u>	<u>787,863</u>	<u>787,863</u>
Revised Revenue Projections	290,149,083	302,833,289	290,682,396	297,291,078	299,617,839	302,157,633
Baseline Expenditure Projections	<u>294,899,000</u>	<u>300,321,113</u>	<u>297,542,512</u>	<u>309,510,819</u>	<u>323,031,717</u>	<u>338,467,143</u>
Surplus (Deficit) [Addition to (Use of) Fund Balance]	<u>\$ (4,749,917)</u>	<u>\$ 2,512,177</u>	<u>\$ (6,860,116)</u>	<u>\$ (12,219,742)</u>	<u>\$ (23,413,878)</u>	<u>\$ (36,309,510)</u>

Fund Balance as of 6/30/03

\$ 32,453,965

Fund Balance @15% of FY07 operating revenues
 Fund Balance @10% of FY07 operating revenues
 Fund Balance @5% of FY07 operating revenues

\$ 45,323,645
\$ 30,215,763
\$ 15,107,882

* Figures in italics serve as prior year's reference and basis for projections for 2005 to 2007

*(KK NOT FACTORED IN THIS ANALYSIS)
 OPERATING BUDGET NOT REFLECTING CAPITAL
 ETC USE*

City Colleges of Chicago, District 508
Revenues

Sources of Unrestricted Funds (with Military)	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
② Tuition & Fees (Net of Withdrawals)	49,833,222	56,456,517	57,972,468	65,548,239	67,629,768	69,815,373
<u>State of Illinois</u>						
⑥ ICCB Equalization	9,932,836	9,932,836	1,513,902	-	-	-
ICCB Base Operating (Credit Hour)	30,497,160	30,497,160	36,727,676	34,891,292	33,146,728	31,489,391
ICCB Square Footage	401,548	401,548	458,312	435,396	413,627	392,945
ICCB Additional Designated	5,000,000	5,000,000	-	-	-	-
ISBE Vocational	1,130,736	1,321,456	1,321,456	1,255,383	1,192,614	1,132,983
ICCB Deferred Maintenance	453,341	453,320	2,984,600	2,835,370	2,693,602	2,558,921
Federal Government	225,000	176,202	227,501	227,501	227,501	227,501
Auxiliary/Enterprise Activities	10,130,295	7,533,584	8,992,347	8,992,347	8,992,347	8,992,347
① Property Tax	92,972,247	86,257,364	92,203,133	94,277,703	96,398,952	98,567,928
Corporate Personal Property Replacement Tax	4,000,000	7,634,382	4,000,000	4,000,000	4,000,000	4,000,000
Investment Income	2,000,000	1,065,008	1,500,000	1,500,000	1,500,000	1,500,000
Other Revenue	143	3,822,761	1,020,000	1,020,000	1,020,000	1,020,000
Total Unrestricted Sources	206,576,528	210,552,138	208,921,395	214,983,232	217,215,138	219,697,390
<u>Sources of Restricted Funds</u>						
Grants	43,273,661	27,665,333	26,262,094	26,262,094	26,262,094	26,262,094
ICCB Workforce Development	1,649,522	1,649,522	706,553	671,225	637,664	605,781
ICCB Advanced Technology	1,167,196	1,167,196	-	-	-	-
ICCB Retirees Health Insurance	626,600	626,600	626,600	595,270	565,507	537,231
ICCB Adult Education	-	-	-	-	-	-
ICCB P-16 Initiative	101,076	101,076	102,022	96,921	92,075	87,471
ICCB Additional Designated	2,000,000	2,000,000	-	-	-	-
Federal	34,754,500	57,602,906	53,861,441	53,861,441	53,861,441	53,861,441
Other Sources	-	1,468,518	202,291	202,291	-	-
Total Restricted Sources	83,572,555	92,281,151	81,761,001	81,689,242	81,418,780	81,354,018
Total Revenues	290,149,083	302,833,289	290,682,396	296,672,475	298,633,918	301,051,409

City Colleges of Chicago, District 508

Unrestricted Expenditures by Program (with Military)

Program	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
Instruction	84,310,000	86,149,445	90,936,085	96,010,090	101,822,137	108,354,330
Academic Support	13,986,000	13,999,608	14,117,603	14,905,330	15,807,636	16,821,743
Student Services	15,261,000	14,672,998	17,051,620	18,003,058	19,092,887	20,317,752
Public Service/Continuing Education	2,005,000	7,195,497	4,936,142	5,211,566	5,527,052	5,881,629
Auxiliary/Enterprise Activities	6,780,000	1,299,674	4,052,989	4,279,136	4,538,176	4,829,314
Operation and Maintenance of Plant	30,095,000	29,097,766	30,442,523	32,141,139	34,086,829	36,273,600
Institutional Support	57,216,000	53,593,984	53,750,859	56,750,022	60,185,430	64,046,504
Scholarships, Grants, Waivers	1,220,000	1,507,748	493,690	521,237	552,790	588,253
Total unrestricted	210,873,000	207,516,720	215,781,511	227,821,577	241,612,937	257,113,125

Restricted Expenditures by Program

Program	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
Instruction	26,577,131	19,244,402	14,573,528	14,560,737	14,512,529	14,500,985
Academic Support	2,918,131	10,170,063	7,569,797	7,563,153	7,538,113	7,532,117
Student Services	4,136,459	4,686,401	3,700,303	3,697,055	3,684,815	3,681,884
Public Service/Continuing Education	7,727,013	6,814,654	6,306,128	6,300,593	6,279,733	6,274,733
Auxiliary/Enterprise Activities	176,892	99,965	80,613	80,542	80,276	80,212
Operation and Maintenance of Plant	780,199	4,453,321	3,347,638	3,344,700	3,333,626	3,330,974
Institutional Support	958,262	6,328,603	6,357,350	6,351,770	6,330,741	6,325,705
Scholarships, Grants, Waivers	40,751,913	41,006,984	39,825,644	39,790,690	39,658,949	39,627,403
Total restricted	84,026,000	92,804,393	81,761,001	81,689,242	81,418,780	81,354,018
Total Expenditures	294,899,000	300,321,113	297,542,512	309,510,819	323,031,717	338,467,143

City Colleges of Chicago, District 508

Unrestricted Expenditures by Object (with Military)

Object of Expenditure	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
① Compensation Expense	117,299,830	116,189,270	124,394,609	129,370,393	134,545,209	139,927,017
② Employee Benefits	26,441,685	30,934,375	30,775,558	36,930,670	44,316,804	53,180,164
③ Contractual Services	28,491,746	24,990,838	21,864,722	22,192,693	22,636,547	23,089,278
General Materials and Supplies	9,992,995	11,760,697	12,436,856	12,623,409	12,875,877	13,133,395
Travel and Conference	1,549,575	1,490,320	1,803,359	1,830,409	1,867,018	1,904,358
Fixed Charges	2,083,263	1,990,666	2,161,163	2,193,580	2,237,452	2,282,201
Utilities	8,950,444	9,918,487	9,910,828	10,059,490	10,260,680	10,465,894
Capital Outlay	955,501	904,688	1,059,548	1,075,441	1,096,950	1,118,889
Other Expenditures	15,107,601	9,337,379	11,374,868	11,545,491	11,776,401	12,011,929
Total unrestricted	210,872,640	207,516,720	215,781,511	227,821,577	241,612,937	257,113,125

Restricted Expenditures by Object

Based on percentages of amounts

Object of Expenditure	Budget 2003	Actual 2003	Budget 2004	Projected 2005	Projected 2006	Projected 2007
Compensation Expense	28,997,570	26,668,064	21,944,622	21,925,362	21,852,770	21,835,388
Employee Benefits	1,831,185	3,020,359	2,010,312	2,008,548	2,001,898	2,000,305
Contractual Services	4,982,780	9,709,500	8,038,598	8,031,543	8,004,951	7,998,584
General Materials and Supplies	3,612,986	4,800,039	3,944,958	3,941,496	3,928,446	3,925,321
Travel and Conference	1,072,296	564,346	588,309	587,793	585,847	585,381
Fixed Charges	10,895	37,856	15,109	15,096	15,046	15,034
Utilities	684,362	116,329	51,682	51,637	51,466	51,425
Capital Outlay	1,838,500	3,249,656	5,243,474	5,238,872	5,221,527	5,217,373
Other Expenditures (includes student aid, loss and cost)	40,995,426	44,638,244	39,923,937	39,888,897	39,756,831	39,725,207
Total restricted	84,026,000	92,804,393	81,761,001	81,689,242	81,418,780	81,354,018
Total Expenditures	294,898,640	300,321,113	297,542,512	309,510,819	323,031,717	338,467,143